

ADMINISTRATION AND FINANCE COMMITTEE

DATE: September 12, 2006

CALLED TO ORDER: 5:36 p.m.

ADJOURNED: 7:31 p.m.

ATTENDANCE

Attending Members

Joanne Sanders, Chair
Paul Bateman
Vernon Brown
Becky Langsford
Lynn McWhirter
Jackie Nytes
Lincoln Plowman

Absent Members

None

AGENDA

PROPOSAL NO. 434, 2006 - adopts the annual budget for the Revenue Bonds Debt Service Funds for 2007 (Administration and Finance portion only).

"Do Pass as Amended"

Vote 7-0

PROPOSAL NO. 436, 2006 - adopts the annual budget for Indianapolis and Marion County for 2007 (Administration and Finance portion only).

"Do Pass as Amended"

Vote 6 -0

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, September 12, 2006. Chair Joanne Sanders called the meeting to order at 5:36 p.m. with the following members present: Vernon Brown, Becky Langsford, Lynn McWhirter, Jackie Nytes, and Lincoln Plowman. Paul Bateman arrived shortly thereafter. Bart Brown, Council Chief Financial Officer, represented Council staff.

Present from the Office of Finance and Management were Robert Clifford, Controller, Jeff Seidenstein, Budget Manager, and Kim Diller, Budget Director.

Chair Sanders stated that Michael Rodman, Treasurer, and Cindy Land, Administrative Deputy Treasurer, would give a brief overview regarding property tax and property tax replacement credits. Ms. Land distributed handouts to the committee including Annually Adjusting Assessed Values Fact Sheet (exhibit A), Property Tax Replacement Credit (PTRC) Withholding Fact Sheet (exhibit B), and Property Tax Data Collection and County Compliance sheet (exhibit C). [Clerk's note: A copy of Exhibits A - C are on file in the Council Office with the original set of minutes.]

Mr. Rodman stated that the following are the most important issues regarding property taxes: getting bills out on time, completing trending, and getting state certification. He said several departments have a responsibility to complete these tasks, but all are reliant on each other to get everything finished. He said that the state is withholding PTRC funds from counties that are not compliant, including \$17 million from Marion County. He added that the state could choose to withhold another \$12 - \$13 million, which would create a hardship for the county.

[Clerk's Note: Councillor Bateman arrived 5:39 PM]

Chair Sanders asked for what period of time could the state withhold the funds. Ms. Land stated the Controller entered an agreement with the state through fiscal year 2009. The state will be withholding \$3,207,536 from every Marion County distribution and there are six distributions per year. She added that in 2007 the state would withhold \$19 million from the county's portion of PTRC..

Councillor Nytes asked if the amount being withheld is part of the arrangement that was negotiated to pay arrearages on the DOC bill. Mr. Rodman answered in the affirmative. Councillor Nytes asked if the state could choose to withhold additional funds due to compliance issues. Mr. Rodman answered in the affirmative. Councillor Nytes asked what amount the State could withhold. Mr. Rodman stated that it could be an additional \$10 million. Councillor Nytes clarified that the state could withhold funds from the county, but it would not withhold funds from the other units of government. Ms. Land answered in the affirmative and added that it would affect the reassessment fund, debt service fund, and capital improvement bond. She stated that those could indirectly affect the City. Councillor Nytes asked if this would cause a shortage in the levy. Mr. Clifford answered in the affirmative.

Chair Sanders asked if there was a deadline for county compliance. Mr. Rodman stated that only the state could answer that question. He added that several counties are not in compliance.

Councillor McWhirter wanted clarification regarding the handout dated August 2006 [Clerk's note: A copy of Exhibit D is on file in the Council Office with the original set of minutes.] that appears to show Marion County in compliance. Ms. Land stated that there was an additional memorandum [Clerk's note: A copy of Exhibit E is on file in the Council Office with the original set of minutes.] issued from the state citing in which areas Marion County is noncompliant and added that Mr. Paul Ricketts, Lawrence Assessor, would be better able to discuss this issue. Councillor Nytes asked if the state would withhold an additional \$10 million on our levy or would rates be recalculated. Mr. Rodman stated that rates would

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not change and it would be a \$10 million shortfall in the budgets. Ms. Land stated that the County is the only unit that is impacted by PTRC withholding; however, if tax bills are not issued in a timely manner it will impact all other units. Mr. Brown asked how Marion County compares to the other 10 counties that have had PTRC withheld. Ms. Land stated that some of the counties are not attempting to be in compliance.

Councillor McWhirter asked Mr. Ricketts where the Assessors are in the reassessment process. Mr. Ricketts stated he does not understand why the Treasurer is being asked about compliance on data from the Assessors, since the Treasurer has nothing to do with that data. Chair Sanders stated that the Treasurer was invited because they have information regarding revenue flow that may impact on the committee's decisions when voting on budgets. Mr. Ricketts stated that the Treasurer would not know where the Assessors are in terms of compliance. He said that the Assessors are working with ISA and an old system. He said the Assessors are trying to purchase a new one. He stated that the Assessors are compliant and sent their data to the State over three weeks ago; the report that the committee is looking at is dated August 2006. He said Melissa Henson, director of Department of Local Government Finance (DLGF), told him that the state would not withhold PTRC if the Assessors were moving forward with acquiring a new system. He added that there are counties around the state that have chosen to accept PTRC withholding in lieu of purchasing a more expensive new system. Chair Sanders asked when the Assessors would be compliant. Mr. Ricketts stated that they would not be compliant with personal property assessment until the new system is purchased. Chair Sanders asked if it would be another 18 months before the county is compliant. Mr. Ricketts stated in the affirmative. Mr. Clifford stated that he is also the Chairperson of Information Technology Board for the City and County and they have been working closely with the Assessors, Treasurer, and Auditor on the assessment system. He added that the State has not certified any assessment system and does not believe that they will withhold PTRC funds for noncompliance until they start certifying systems. Mr. Brown wanted to clarify that the data that was turned in to the State in July was actually due in January. He added that the 10 noncompliant counties on the list are noncompliant based on something other than a certified computer system.

Chair Sanders stated her appreciation to all that came in to help explain the issue with the new property tax requirements and requested that they keep the committee updated on this issue.

PROPOSAL NO. 434, 2006 - adopts the annual budget for the Revenue Bonds Debt Service Funds for 2007 (Administration and Finance portion only).

Mr. Seidenstein gave a summary of budget changes that are being proposed by the Controller's Office [Exhibit G, attached] as highlighted in the amendment.

Councillor Nytes asked if the interest had to stay in the fund on which it's drawn. Mr. Seidenstein stated in the affirmative and added that it goes to the fund balance.

Councillor McWhirter stated that in the original proposal (Exhibit F, attached) the Controller had \$975,000 in the County Cumulative Fund and not in miscellaneous. Mr. Seidenstein stated in the affirmative and said that the \$975,000 should be coming from transportation general and is correct in the amendment if not in the presentation.

Councillor Nytes moved, seconded by Councillor Bateman, to "Amend" Proposal No. 434, 2006 (Administration and Finance portion only) per Exhibit G. The motion carried by a vote of 7-0.

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Councillor Nytes moved, seconded by Councillor Bateman to send Proposal No. 434, 2006 (Administration and Finance portion only) to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 7-0.

PROPOSAL NO. 436, 2006 - adopts the annual budget for Indianapolis and Marion County for 2007 (Administration and Finance portion only).

Mr. Clifford gave a summary of budget changes that are being proposed by the Controller's Office [Exhibit I, attached] as highlighted in the amendment. He added that sections from the original proposal that had no changes were not in the amendment.

Mr. Clifford stated that there are no changes in the budget of the Office of the Mayor, because most of the staff are either new employees or have received a promotion within the last two years. Chair Sanders wanted clarification about salary increases for the employees. Mr. Clifford stated that the Office of the Mayor has enough money in their budget to give raises to those who have gone without for two years.

Ms. Diller stated that most of the changes in the budget are due to the 3% salary increases for staff. She said the Office of Corporation Counsel has an increase in character one to accommodate an attorney that is transferring from the Indianapolis Police Department (IPD) to the Office of Corporation Counsel. She stated that the Office of Finance and Management had a decrease in character 3, due to decreased overhead spending with ISA.

Chair Sanders asked if there would be a shift in funding from IPD to Office of Corporation Counsel for the attorney position. Ms. Diller answered in the affirmative. Councillor Brown asked if the IPD attorney is an IPD officer. Ms. Diller stated in the affirmative. Mr. Kobi Wright, Office of Corporation Counsel, stated that the attorney is an IPD Lieutenant and IPD legal services will move to Office of Corporation Counsel.

Ms. Diller stated that the Auditor's budget reflects the 3% salary increase as well as an increase passed by the Community Affairs Committee for soil and water and the Noble Center. Ms. Diller stated in Section 1.04, the County Election Board increases are also due to 3% salary increases.

Chair Sanders stated that there was difficulty last year funding for an election year and asked if that would be a problem this year. Ms. Diller stated that both the County Election Board and Voter Registration has been funded for their total request.

Ms. Diller stated that the County General Fund for the County Assessors is increasing for the 3% salary increase, but would have a zero fund balance at the end of 2007. She added that this will be discussed again at the September 18th Council Meeting.

Ms. Diller stated that the Marion County Children's Guardian Home would be moved from the Family and Children Services Fund to the County General Fund, as decided by the Community Affairs Committee. She added that the amendment also included the 3% salary increase.

Councillor Brown stated for clarification that the 3% salary increase would be for non-contractual employees that have not received a raise in 3-4 years.

Councillor Nytes asked why Guardian Home was moved to County General Fund. Mr. Clifford stated that it had always been funded out of the County General Fund, but was earlier proposed by the OFM to

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be funded by Family and Children Services. After much discussion, OFM decided to continue the practice of funding the Guardian Home from the County General Fund..

Mr. Seidenstein stated that the changes for Consolidated County Fund are updates in 2006 fees and typing corrections. He added that there was a problem in the estimated amounts to be received and the column alignment was off. Alignment should shift down one line following licenses and permits.

Councillor McWhirter asked what revenues are being transferred to the Indianapolis Metropolitan Police Department (IMPD) General Fund and Marion County General Fund. Mr. Seidenstein stated that the transfer to the Marion County General Fund is from the Consolidated County Fund and is associated with the Criminal Justice Planning Committee fiscal ordinance that will be introduced in the September 13 Public Safety Committee. He said that the transfer from the Consolidated County Fund to the IMPD general fund will occur when IPD and the Sheriff's Department become IMPD. Councillor McWhirter stated that next year the City would be able to demonstrate a specified amount for IMPD from a specified fund. Mr. Clifford answered in the affirmative.

Councillor Nytes asked how the Payment in Lieu of Taxes (PILOT) amount is decided every year. Mr. Clifford stated that the Indianapolis Waterworks receive payments based on the levy amounts from IPS, City of Indianapolis, Marion County, Municipal Corps, Hendricks County, Hamilton County, Johnson County, etc. Councillor Nytes asked if there are any other PILOTS. Mr. Clifford stated that Health and Hospital Corporation (HHC) and the Wastewater Treatment Plant also have PILOTS. He added that HHC pays for police and fire services as a fee for service.

Councillor Brown asked if IUPUI was in a PILOT as well. Mr. Brown stated that IUPUI is on a fee for service contract for fire protection services. Mr. Clifford stated that the contract is based on an agreement negotiated in the 1980's and it is essentially a PILOT that IUPUI voluntarily continues to make. Chair Sanders asked if IUPUI was still paying 1980 rates. Mr. Clifford answered in the negative.

Mr. Seidenstein stated that the numbers in the Federal Grants Fund are merely corrections. He said the corrections for Sinking Funds are a mistake on the Controller's part. He stated that \$4.2 million in County Option Income Tax (COIT) funds are being transferred to pay for the pension debt service and \$5.5 million would be transferred to the Pension Stabilization Fund for 2007.

Councillor Nytes asked if 2007 would be the first year the pension debt service payments are being made. Mr. Clifford stated that interest payments were made in 2006 with the payments starting in 2007. Councillor Nytes asked what the appropriation would be for that fund. Mr. Seidenstein stated that it is \$10,074,824.

Councillor Nytes stated that in the original proposal for the Metropolitan Thoroughfare Sinking Fund there is a \$9 million appropriation, but only \$5 million in revenues, and asked if there is a significant fund balance. Mr. Seidenstein stated that there is a levy for this.

[Clerk's Note: Councillor McWhirter left 6:30 PM]

Mr. Seidenstein stated that in the County General Fund there is a clarification of numbers and a transfer from the Marion County Rainy Day Fund. Mr. Clifford added that the transfer to the City Sanitation Fund would repay the loan for 200 additional jail beds. Mr. Seidenstein said that the crossed out line items are for clean up and no funds are being changed or added. He added that these revenues do not include levies.

Mr. Seidenstein stated that the handwritten corrections in the Marion County Cumulative Fund on the amendment were made just prior to the meeting. He said the \$785,000 transfer to the City would be to help cover the cost of new IMPD vehicles.

Ms. Diller stated that the County Recorder's Perpetuation Fund is decreased on advise from of the Recorder's staff. She said the Juvenile Incarceration Debt Service Fund and the County Rainy Day Fund were left out of the original proposal.

Councillor Nytes asked if the Recorder's fund changes would have an impact on any appropriations from that fund. Ms. Diller stated that they would still have a fund balance over \$3.5 million. Mr. Brown asked if the PILOT under Juvenile Incarceration is for waterworks. Ms. Diller answered in the affirmative.

Councillor Nytes asked if it was Councillor Cockrum that was instrumental in getting the Rainy Day Fund established. Mr. Brown stated that he might be the sponsor of the ordinance; however, the State mandated that a fund be established to deposit a one-time COIT distribution.

Ms. Diller stated that Article Three reflects the funds that the Controller has completed. Mr. Clifford stated that the Property Reassessment Fund assessed valuation numbers is the Controller's attempt to maintain the levy.

Councillor Nytes wanted confirmation that there would be no fund balance at the end of 2007. Ms. Diller answered in the affirmative and stated that the property reassessment fund has been spent down over the last few years because the levy has been lower than the appropriation. Councillor Nytes asked what would happen in 2008. Ms. Diller stated that there would need to be a drastic change to increase revenue. Councillor Nytes stated that there would have to be a significant structural change because this fund has hit the wall. Chair Sanders said that the figures are off a line starting at line 5. Ms. Diller agreed.

Ms. Diller stated the Surveyor's Corner Perpetuation Fund reflects the 3% salary increase. She stated the County Recorder's Perpetuation Fund reflects the revised revenue mentioned earlier as well as the 3% salary increase.

Mr. Seidenstein stated the reduction on line two of the Information Services Internal Services Fund reflects the cancellation of purchase orders. He added that Miscellaneous Revenues have increased due to repayment for equipment purchased.

Ms. Diller stated that the Auditor's Endorsement Fee Fund change reflects a corrected typographical error.

Councillor Nytes asked if other agencies are canceling outstanding purchase orders. Mr. Seidenstein stated that the Controller encourages all departments to close purchase orders when they are no longer needed.

[Clerk's Note: Councillor Bateman left 6:53 PM]

Ms. Diller stated that the HAVA Reimbursement Fund and the County Sales Disclosure Fee are not yet corrected but will be by Monday, September 18.

Ms. Diller stated that the Juvenile Incarceration Debt Service reflects the completed figures for 2007.

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Mr. Seidenstein stated that Article Four lists the professional organizations in which various agencies have memberships. He added that the only addition was to Administration for membership in Central Indiana American Society for Training and Development.

Councillor Nytes stated that the National Association of County Organizations (NACO) had considered holding a convention in Indianapolis until the County dropped its membership. She added that Marion County should be a member of NACO.

Councillor Nytes moved, seconded by Councillor Brown, to "Amend" Proposal No. 436, 2006 to include membership in National Association of County Organizations. The motion carried by a vote of 5-0.

Mr. Clifford asked under what agency would the Committee like to see the membership shown. Chair Sanders stated that it was previously under administration. Councillor Nytes stated that the Controller should look at budgets and make a suggestion.

[Clerk's Note: Councillor Bateman returned 7:25 PM]

Mr. Seidenstein stated that Article five is the portion of the ordinance that addresses compensation of city employees and other city county government officials. He said that the highlighted areas indicate certain specialty or technical positions for which agency heads may request an above maximum salary when they cannot fill those positions. He added that page 25 is an accidental repeat of the list of memberships.

Mr. Clifford stated that the National Association of Counties is listed under the Assessors budget. Councillor Nytes stated that the President of NACO asked about dropping our membership, so that needs to be checked on.

Councillor Plowman asked who sets elected officials' salaries. Mr. Clifford stated that the City County Council sets salaries because they are in City Code. Councillor Plowman asked if the 3% applied to elected officials. Mr. Clifford stated that it does not, because the code states that the salaries will remain as such until they are changed by an action of the City County Council. Mr. Brown stated that there is a County Salary Panel that makes recommendations to the Council.

Councillor Nytes wanted clarification that there would not be a raise for the Council because the Mayor's Office is not raising salaries. Mr. Clifford answered in the affirmative. Councillor Nytes asked if salary schedules were available for Courts or the Prosecutor's office. Mr. Clifford stated that the Prosecutor's Office is on the same schedule as the Public Defender's, but the Courts are not. He added that the Courts budget does have a 3% salary increase. Ms. Diller stated the only raises the Courts gave were to the probation officers because it was an unfunded state mandate.

Chair Sanders asked if the budgets included salary increases to bring up any employees that are earning below the salary minimums. Mr. Clifford answered in the affirmative. Mr. Seidenstein stated that the 3% increases would be based on merit evaluations. Mr. Brown asked if employees would be counseled about their job performance. Mr. Seidenstein stated that this only applies to employees without collective bargaining agreements.

Mr. Seidenstein stated that the salary ranges for appointed agency heads can be found within the salary grades and there is a typographical correction under Director of Forensics Services Agency. He added that the pay grades for hourly seasonal employees are included in this amendment, most of whom are

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parks employees. He said there is a separate salary range for ISA technical and management positions because these are highly competitive fields and the agency needs to be able to attract good employees.

Mr. Seidenstein stated that there are no changes in full time equivalents (FTE) for Executive and Legislative Departments. He said the changes for the Department of Administration add the Equal Opportunity Division employees that were left out of the original proposal. He said that Metropolitan Development and Public Works reflect changes approved by other committees. He said the Department of Public Safety may have changes, but they will not be proposed until after the September 13 Public Safety Committee meeting.

Councillor Brown wanted clarification that the Department of Administration has a total of 45 employees because the number is crossed out. Mr. Seidenstein answered in the affirmative.

Mr. Seidenstein stated that FTE numbers for IMPD and Parks & Recreation would be corrected following the appropriate committee meetings. He said that there are no changes in FTE's for County Agencies.

Councillor Brown asked if the Sheriffs Department FTE numbers were correct for 2007. Mr. Seidenstein stated that those numbers came from an Ordinance passed last summer, so he believes they are correct. However, the merit deputies were not included, but they will be for the Public Safety Committee meeting.

Councillor Nytes asked if there were any revisions to the County General Fund. Mr. Seidenstein stated that there will be changes and the budgets will be updated before the September 18 Council meeting. Mr. Clifford stated that the COIT distribution section will also be ready prior to September 18.

Councillor Brown stated that the amendment should read Proposal 436 instead of 432 and it should say Madame Chair instead of Mr. Chairman. Mr. Seidenstein apologized and stated that the errors would be corrected.

Councillor Brown moved, seconded by Councillor Nytes, to "Amend" Proposal No. 436, 2006 (Administration and Finance portion only) per Exhibit I. The motion carried by a vote of 6-0.

Councillor Brown moved, seconded by Councillor Bateman to send Proposal No. 436, 2006 (Administration and Finance portion only) to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 6-0.

CONCLUSION

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 7:31 p.m.

Respectfully submitted,

Joanne Sanders, Chair
Administration and Finance Committee

JS/cc